

Global Real Estate and Global Income

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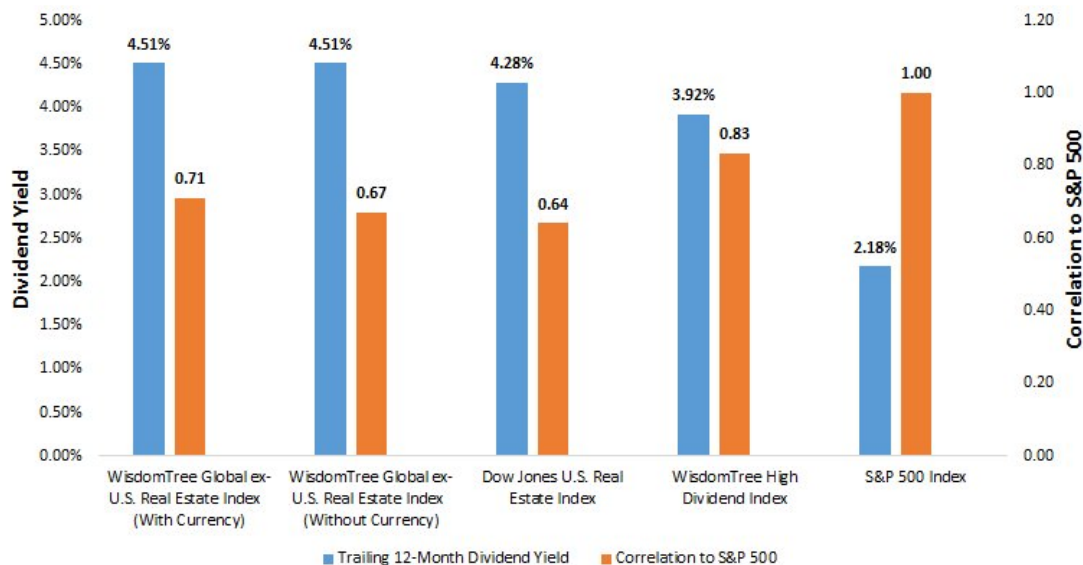
Luciano Siracusano III

Chief Investment Strategist

Christopher Carrano

Vice President of Strategic Research at Venn by Two Sigma

The search for income has dominated many investors' minds over the last year. In the absence of higher-yielding fixed income assets, one way investors have met their income needs is through equity markets. One unique corner of the equity universe that offers both yield and diversification and that we believe should not be overlooked is global real estate. With 59% of publicly listed global real estate stocks found abroad,¹ we believe that taking full advantage of this asset class requires looking outside the United States. When interest rates fall, real estate values often increase—both because it gets less expensive to borrow to buy real estate and because the income that real estate can create (in the form of rent) becomes even more attractive in a world where government bonds yield zero or less than zero. One potential way to capitalize on the global real estate opportunity is through the [WisdomTree Global ex-U.S. Real Estate Fund \(DRW\)](#) or its currency-hedged counterpart, the [WisdomTree Global ex-U.S. Hedged Real Estate Fund \(HDRW\)](#), which seek to track the [WisdomTree Global ex-U.S. Real Estate Index](#) and the [WisdomTree Global ex-U.S. Hedged Real Estate Index](#), respectively. These Indexes are fundamentally weighted to measure the performance of companies from developed and emerging markets outside of the United States that are classified as being part of the "Global Real Estate" sector. The Indexes are comprised of real estate companies with market capitalizations greater than \$1 billion, weighting them based on regular cash dividends paid. In the chart below, we display the dividend yield and the correlations of the WisdomTree Global ex-U.S. Real Estate Index with currency and without currency (removed at the aggregate Index level) since its inception in 2011. Also included are a few other income-generating indexes compared to the S&P 500 Index. **Dividend Yield and Correlations: July 2011–June 2016**



Sources: WisdomTree, Bloomberg, as of 6/30/2016. The WisdomTree Global ex-U.S. Real Estate Index was launched on 6/6/2011. Because of the use of monthly data, analysis starts at the closest month end based on an intra-month inception date.

Past performance is not indicative of future results. You cannot invest directly in an index. Index performance does not represent actual fund or portfolio performance. A fund or portfolio may differ significantly from the securities included in the index. Index performance assumes reinvestment of dividends but does not reflect any management fees, transaction costs or other expenses that would be incurred by a portfolio or fund, or brokerage commissions on transactions in fund shares. Such fees, expenses and commissions could reduce returns.

For definitions of indexes in the chart, visit our [glossary](#). **High Dividend Yields with Low Correlations to U.S. Equities** As the chart above shows, the WisdomTree Global ex-U.S. Real Estate Index exhibited a higher dividend yield than the S&P 500 Index, the WisdomTree High Dividend Index and even domestic real estate as measured by the Dow Jones U.S. Real Estate Index, as of June 30, 2016. This was achieved by selecting real estate investment trusts, real estate development companies and real estate operating companies from both the developed and emerging worlds and weighting them based on the dividends they paid in the prior year.² By concentrating on these stocks outside the United States, the WisdomTree Index was able to generate a 13% return year-to-date, 710 basis points (bps) greater than the MSCI AC World ex-US Index and 77 bps higher than the return generated by the Dow Jones U.S. Real Estate Index³ over the same period. We estimate that around 3 percentage points of the 13 percent return came from foreign currency exposure, which, during this period, added to the total return given the decline of the U.S. dollar compared to most foreign currencies in 2016. It is worth noting that the dividends distributed in the real estate sector tap into both rental income and passive income collected by companies operating in this sector. This can contribute to the variability in income that such funds pay out in any given year. One way to broadly measure such diversification is by comparing correlations to the U.S. equity market, represented here by the S&P 500 Index. As shown above, the real estate Indexes show lower correlation to the S&P 500 than even the WisdomTree High Dividend Index, WisdomTree's lowest-correlating U.S. equity Index over the last five years. We also note that neutralizing the effects of currencies on the WisdomTree Global ex-U.S. Real Estate Index lowered the correlation to the S&P 500 even more. For this reason, WisdomTree believes the currency-hedged version has the potential to lower volatility over time, compared

to an unhedged exposure. **Conclusion** For investors looking to tap into an alternative source of income while also diversifying their portfolios, we believe dividend weighting real estate stocks outside the U.S. is an attractive option. DRW provides this exposure in an unhedged format. For investors looking to mitigate the impact of foreign currency, WisdomTree also offers HDRW, which tracks the same underlying Index of stocks but in a currency-hedged manner. 1Source: Bloomberg, as of 8/17/16. The FTSE EPRA/NAREIT United States Index and the [FTSE EPRA/NAREIT United States Index](#) were used to estimate amount of global real estate market capitalization. 2This includes real estate companies in these categories classified as passive foreign investment companies (PFICs). 3Source: Bloomberg, as of 8/19/2016. The WisdomTree Global ex-U.S. Real Estate Index (with currency) returned 12.79%, the MSCI ACWI ex-U.S. Index returned 5.69% and the Dow Jones U.S. Real Estate Index returned 12.02% YTD.

Important Risks Related to this Article

There are risks associated with investing, including possible loss of principal. Foreign investing involves special risks, such as risk of loss from currency fluctuation or political or economic uncertainty.

Investments in emerging, offshore or frontier markets are generally less liquid and less efficient than investments in developed markets and are subject to additional risks, such as risks of adverse governmental regulation and intervention or political developments. Investments in real estate involve additional special risks, such as credit risk, interest rate fluctuations and the effects of varied economic conditions. Funds focusing their investments on certain sectors companies increase their vulnerability to any single economic or regulatory development. HDRW uses various strategies to attempt to minimize the impact of changes in applicable foreign currencies against the U.S. dollar, which may not be successful. Investments in derivative investments can be volatile, may be less liquid than securities and may be more sensitive to the effect of varied economic conditions. The Funds invest in the securities included in, or representative of, their Indexes regardless of their investment merit and the Funds do not attempt to outperform their Indexes or take defensive positions in declining markets. Please read each Fund's prospectus for specific details regarding each Fund's risk profile.

Diversification does not eliminate the risk of experiencing investment losses.

Dividends are not guaranteed, and a company currently paying dividends may cease paying dividends at any time.